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November 198

MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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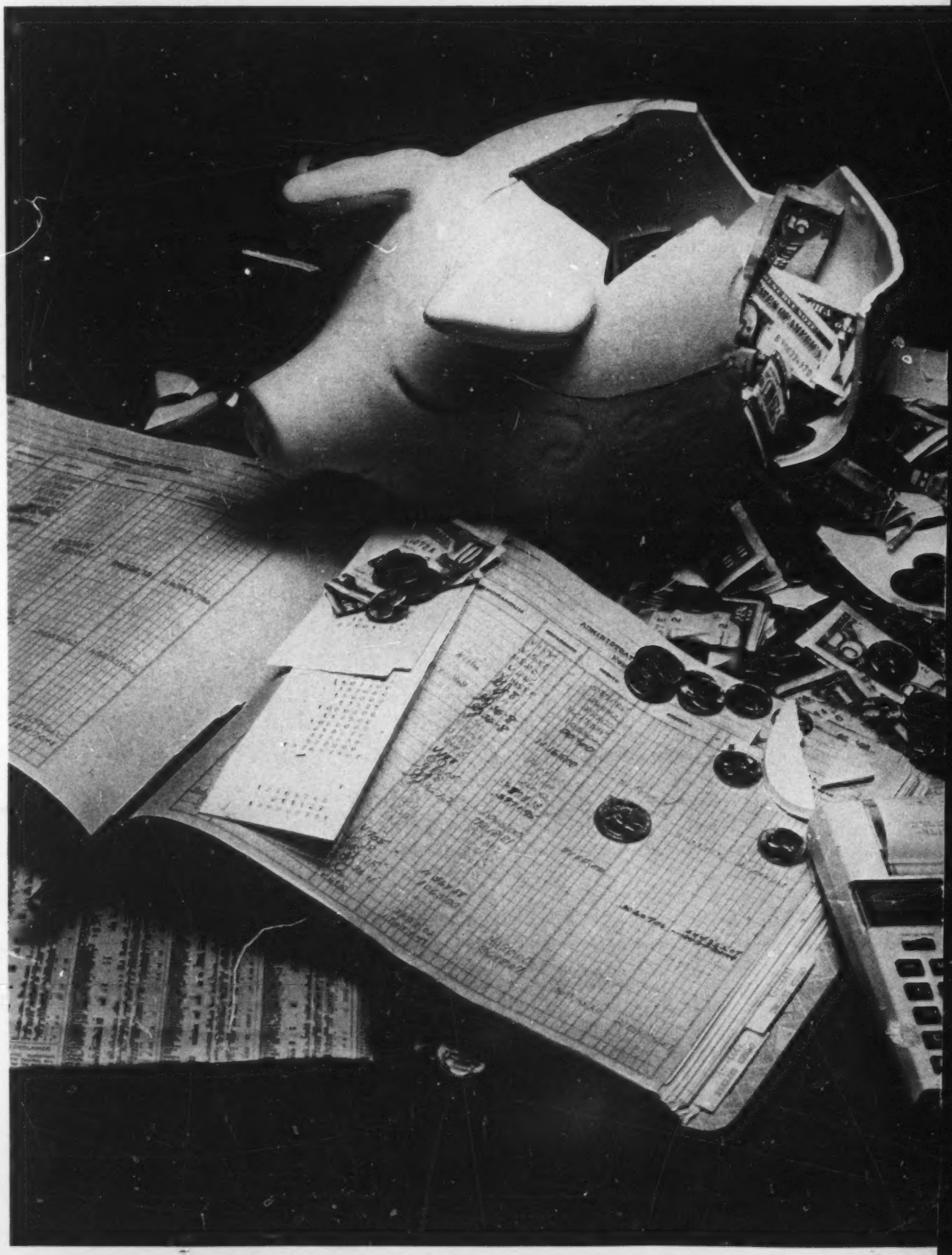

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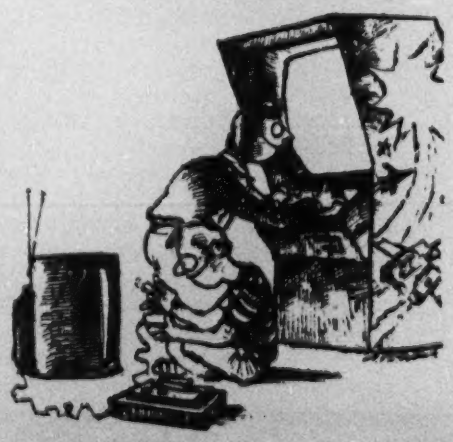

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Microwave Ovens

Microwave-oven sales volumes trail 1981 as average price paid drops below $400

In the face of a lengthening recession, the mix of products sold in the major-appliance industry has changed over the last few years. Markets most affected by the decline in new housing have been hardest hit, but all segments of the appliance industry have felt the negative impact.

The microwave-oven business, although less affected by the recession than some other appliance categories, is nevertheless feeling the crunch. Sales and shipments in the first 9 months of 1982 were down by about 11 percent from 1981 levels. Despite the decline, the microwave oven is taking on added importance in the total appliance mix.

According to industry statistics supplied by Whirlpool Corp., microwave ovens now account for 16 percent of the total appliance-industry product mix. Microwave ovens now trail only refrigerators (18 percent) and automatic washers (17 percent) in unit shipments.

The same economic factors that have changed the mix of the overall appliance industry have changed the mix of the microwave microcosm. The average retail price paid for countertop microwave ovens dipped below $400 for the first time in 1981; according to Ron Whitford, microwave merchandising manager at Whirlpool, the average price paid was down nearly $25 per unit from 1980 average price levels — even though more than half of all retail microwave-oven sales were for $400 or more, and fully two-thirds of all sales were for $350 or more.

But the slippage in the microwave-oven market has been a matter of price points rather than features. Today's microwave customers are buying as many features as in previous years; they're just not paying as much.

Most popular in the market today are touch controls, defrost cycles, and temperature probes — features found on today's mid-line models. According to Don Johnstone, vice president of marketing, Litton Microwave Cooking Products, the over-$500 market has all but disappeared for countertop microwave ovens.

The downward shift in price points has also changed the way manufacturers market their products. Rather than introducing new top-end models at top-end prices every year, and making last year's top-end model this year's mid-line model, manufacturers today are adding models to the middle of their line to meet specific price points.

Where is the retail action in the microwave oven market? A touch-control model with memory at $299 offered earlier this year by JC Penney caused a lot of industry comment. And while most retailers did not meet that price point, prices in general have continued to fall.

Ron Whitford, microwave merchandising manager for Whirlpool, told MART that touch models from $399 to $499 are the fastest growing market segment. Pat Duffner, product planning manager at Amana, adds that the market for high-end models with mechanical controls is also growing. And, Steve Sherman, microwave manager for Sanyo, said that first-time buyers are buying more compact units at promotional price points.

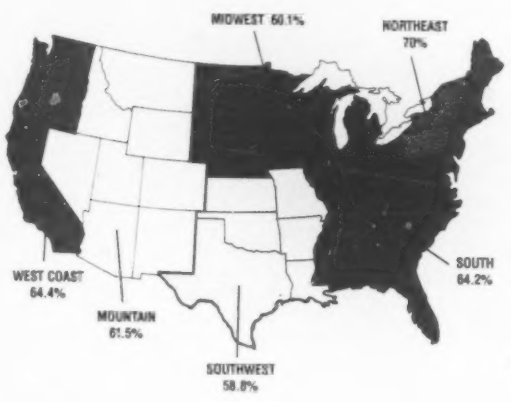
As market saturation increases (now more than 25 percent nationwide, and in some areas as high as 35 percent or more), and the replacement market begins to grow, the microwave business is becoming less seasonal.

However, traditionally appliance retailers sell upwards of 65 percent of their total microwave volume in the second half, and more than 40 percent in the last quarter alone. So while sales have been depressed for most of the year, there is always hope that a strong rebound in the last quarter will save the year.

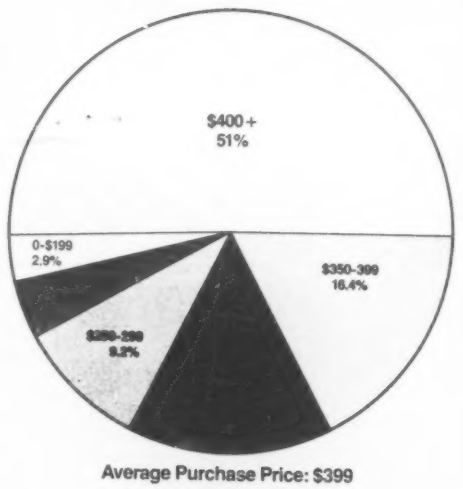
Some in the industry are still convinced that by year-end, sales will equal 1981 totals. Others say that sales will be down by between 5 and 10 percent from 1981 levels.

An additional factor that will begin to effect the business is an increase in the number of replacement sales. According to Hoyle Rymer, president of Magic Chef, many consumers who purchased a microwave oven six or seven years ago are now trading up to units with new or improved features. Including second-unit purchasers, the number of repeat customers might be as high as 10 or even 15 percent of the business.

Touch Control Countertop Microwave Oven Sales As A Percentage Of The Total By U.S. Regions



Purchase Price Range for Countertop Microwave Ovens

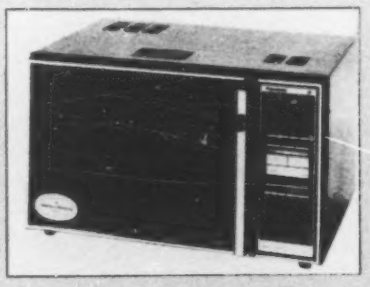


Average Purchase Price: $399

Microwave Oven Industry Retail Purchases • Percentages By Month

	1981	1980	1979
JANUARY	10.9	11.0	8.8
FEBRUARY	5.7	6.5	3.7
MARCH	4.9	4.5	3.7
APRIL	5.5	4.4	3.7
MAY	7.4	6.5	6.2
JUNE	4.8	5.0	4.8
JULY	7.4	7.1	8.7
AUGUST	5.4	4.8	5.5
SEPTEMBER	4.6	4.5	5.4
OCTOBER	8.2	6.2	7.6
NOVEMBER	10.3	10.5	10.1
DECEMBER	24.9	29.0	31.8
AVERAGE RETAIL PRICE	$399	$423	$414

Source: Whirlpool Corp. for all charts on this page



Panasonic's model NE 7820 microwave oven features nine pre-programmed categories. **Write in 449.**

Whirlpool figures indicate that the market for microwaves is shifting in other ways, as well. Over the next few years, relatively less growth is expected in countertop microwave ovens, and proportionally more is expected in combination units.

In 1983, it is expected that 70 percent of the dollar volume in the microwave business will be in countertop units, while 30 percent will be combinations. By 1984, Whirlpool estimates that 36 percent of industry dollar volumes will be in combination units. But even though the proportion of countertop units will decline, dollar and unit volumes will increase.

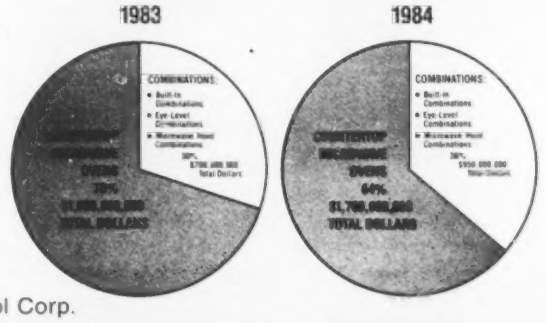
An overall shift in product mix has occurred on a geographic basis, as well. For example, on the west coast, where market saturation is somewhat higher than in other regions of the country, 64 percent of all countertop microwave ovens sold feature touch controls; in the northeast, 70 percent of all microwave ovens sold have touch controls. The southwest has the lowest percentage of touch-control sales in the nation, about 59 percent.

Microwave ovens are expected to be one of the major growth categories in the major appliance business in the next decade. Market saturation will expand by a minimum of 4 points a year for at least the next 10 years. Eventually, it is expected that eight out of 10 households will own a microwave oven.

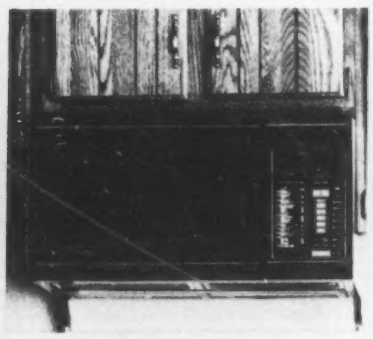
For the short term, manufacturers expect a rebound in the business as soon as consumer spending picks up. A modest decline in consumer interest rates and an increase in consumer spending could produce the industry's first five-million-unit year in 1983. ■

JOHN FOSTER

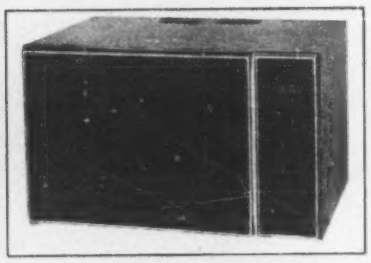
Projection of Future Growth Patterns for Countertop Microwave Ovens and Microwave Oven Combinations



Source: Whirlpool Corp.

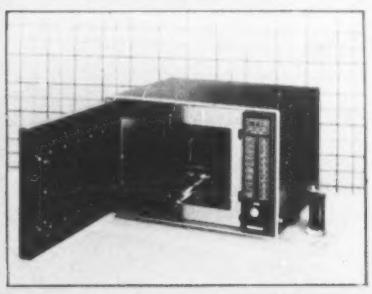


Litton's Litton-Aire combination microwave/range has a suggested retail of $1,500. **Write in 450.**



Frigidaire's microwave model MC-1100M features a 40-recipe memory and a rotating antenna. **Write in 451.**

Tappan's family-sized microwave ovens feature three safety interlock switches. **Write in 452.**



Thermador/Waste King's Option 3 micro/convection oven. **Write in 453.**

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Write in 105.

Gas Grills

Gas-grill makers note a longer sales season, a higher dollar volume

GRILL PENETRATION 1981

Total U.S. Households	81.9 Million
Barbecue Households	63.1 Million
Percent	77.0%
Total Grills In Service	111.9 Million
Charcoal	98.2 Million
Gas	11.2 Million
Electric	2.5 Million
Industry Penetration	
Charcoal	87.8%
Gas	10.0%
Electric	2.2%

RETAIL SALES DOLLARS —$000—

	1976	1981	% of Barbecue Industry
Charcoal	$ 71,650	$139,005	44%
Gas	94,713	171,817	54%
Electric	4,672	6,188	2%
	$171,035	$317,010	100%

RETAIL SALES BY PRICE POINT

1981

Under $100.00	17.1%
$100—$150	25.8%
$151—$200	24.1%
$200—$299	21.8%
$300 & Over	11.2%
	100.0%

Average Price of a Gas Grill In 1981 - $120.15

RETAIL SALES BY SIZE

Gas Grill Size Classification

Table Top (Carry Type)
Small Size (less than 250 sq. in.)
Standard Size (251 to 325 sq. in.)
Large Size (326 to 500 sq. in.)
Extra Large Size (Over 500 sq. in.)

	1977	1978	1979	1980	1981	1982
Table Top	1%	1%	1%	1%	2%	3%
Small	8%	10%	15%	9%	11%	8%
Standard	30%	43%	42%	39%	38%	35%
Large	59%	41%	40%	42%	45%	49%
X-Large	2%	5%	2%	9%	4%	5%

CHARTS PROVIDED BY ARKLA INDUSTRIES

The barbecue-grill market is large and growing. Retail sales of barbecue grills in 1981 amounted to more than $300 million — and sales are up again in 1982. Nearly 80 percent of all U.S. households own some sort of barbecue grill.

And the gas grill is the fastest-growing segment of the grill market, in both unit and dollar volumes. In 1981, more than 1.4 million gas grills — valued at more than $170 million — were sold at retail.

Gas grills, which account for little more than 10 percent of total barbecue-grill unit sales, nevertheless account for more than 50 percent of the grill industry's dollar volume.

Not surprisingly, as the gas-grill market has grown into mass market proportions, a shift has occurred in where units are sold. A decade ago, most gas grills were sold by gas utilities; today, the main outlets for gas grills are private-label department stores, mass merchandisers, home-center stores, and appliance and specialty stores.

The market remains quite seasonal, and, surprisingly, somewhat regional as well. The eastern sector of the country accounts for about 45 percent of all gas grill sales. And although 60 percent of all retail sales are made in April, May, June, and July, the sales year is being extended on both ends of the calendar.

More than 20 percent of sales are now made in the first quarter of the year, the so-called pre-season, and an additional 10 percent or so of all gas-grill sales are made in the fourth quarter.

Retail price points reflect the up-grading of the gas-grill customer. Fewer units are sold in the under-$100 price category than in recent previous years; most sales come at price points between $100 and $300. The average price paid for a gas grill in 1981 was $120.

As to the size mix, a little more than 10 percent of all gas grills sold have a surface cooking area pf 250 sq. in. or less; only about 5 percent have a cooking surface larger than 500 sq. in.

According to Arkla, the market for gas grills has spawned a market for grill accessories as well. Grill-accessory sales were up more than 50 percent in 1981.

Arkla has projected that by 1984 the gas-grill market will have grown to nearly 2 million units a year. By 1986, the company projects, the gas grill will account for more than 16 percent of the 13.5 million barbecue-grill sales.

More than 11 million gas barbecue grills are currently in use in the United States, about 10 percent of the total of 112 million barbecue grills in service. And because many consumers view a gas grill as a step up from a charcoal grill, replacement sales promise to accelerate the expansion of the gas-grill market. ■

INDUSTRY PERFORMANCE —UNITS

YEAR	INDUSTRY	CHARCOAL	%	GAS GRILL	%	ELECTRIC	%
1976	9,144,000	8,159,000	89.2	860,000	9.4	125,000	1.4
1977	10,518,000	9,328,000	88.7	1,050,000	9.9	140,000	1.3
1978	11,070,000	9,750,000	88.1	1,176,000	10.6	144,000	1.3
1979	11,098,000	9,635,000	86.8	1,327,000	11.9	136,000	1.2
1980	11,572,000	10,080,000	87.1	1,230,000	10.6	132,000	1.1
1981	11,798,000	10,240,000	86.6	1,430,000	12.1	128,000	1.1

INDUSTRY PROJECTIONS

YEAR	INDUSTRY	CHARCOAL	%	GAS GRILL	%	ELECTRIC	%
1982	11,975,000	10,200,000	85.2	1,600,000	13.4	175,000	1.5
1983	12,360,000	10,400,000	84.1	1,760,000	14.2	200,000	1.7
1984	12,920,000	10,750,000	83.2	1,920,000	14.9	250,000	2.1
1985	13,142,000	10,800,000	82.2	2,067,000	15.7	275,000	2.3
1986	13,418,000	10,900,000	81.2	2,218,000	16.5	300,000	2.5

COMPARISON OF RETAIL OUTLETS SELLING GAS GRILLS

1970 Versus 1982

1970

Private Brands	8%
Mass Merchants	1%
Home Centers	0%
Catalog Showroom & Premium Houses	0%
Appliance & Specialty Stores	9%
Utilities	82%
Department Stores	0%

1982

Private Brands	26%
Mass Merchants	20%
Home Centers	13%
Catalog Showroom & Premium Houses	7%
Appliance & Specialty Stores	18%
Utilities (Nat. & LP)	11%
Department Stores	5%

RETAIL SALES BY MONTH Percent %

	1979	1980	1981	1982
January	1	5	4	6
February	5	7	8	6
March	11	12	12	10
April	17	18	15	17
May	16	16	16	13
June	21	16	15	16
July	17	9	14	14
August	6	6	6	7*
September	2	2	2	2*
October	1	1	2	4*
November	1	4	3	3*
December	2	4	3	2*

*Forecasted

ACCESSORIES

Growth

1978—1979	24% Increase
1979—1980	21% Increase
1980—1981	43% Increase
1981—1982	53% Increase

Accessory Sales Mix

Lava Rock	35%
Rotisseries	21%
Covers	12%
Shelves	11%
Utensils	6%
Cookbooks	5%
Cleaning Brush	3%
Other	7%
	100%

DEMOGRAPHICS OF THE GASGRILL CUSTOMER

Age

18—24	13.3%
25—34	19.5%
35—44	22.2%
45—54	26.6%
55 and Older	18.4%

Education

College Graduates	21.3%
Attended College	17.8%
High School Graduates	45.0%
Did Not Graduate High School	15.9%

Home Ownership

Residence Owned	87.8%
Value Over $40,000	65.7%
Value Under $40,000	34.3%

Household Size

1 Person	4.6%
2 People	26.0%
3 or 4 People	49.3%
5 or More People	20.0%

Metro Areas

Central City	29.4%
Metro Suburban	51.3%
Non-Metro	19.3%

Consumer Electronics

MART video survey reveals trends; VCR portables, video cameras provide bright spots

What's hot and what's not—video dealers tell MART in an exclusive recent nationwide survey of more than 183 dealers selling color TV, VCR, video cameras, projection TV and video disc players.

In spite of a go-slow economy, dealers are still sold on VCR as a category and expect significant sales gains by year's end. Fully 18 percent of dealers surveyed expect a 30-to 100-percent sales increase, with almost one-fifth (19.3) percent looking for a 20-to 29-percent gain. Only 11 percent of the respondents told us their sales would be even or down compared with last year's figures.

What are video retailers selling? Portables continue to grab an increasing market share—almost one-fifth of the respondents say portable models make up from 30 to 49 percent of their VCR sales. For the average retailer, portable sales are at least 20 percent of their total.

The gap between VHS and Beta sales is becoming a chasm. VHS sales account for 71.5 percent of all VCRs sold.

Can anything be done to make selling video a little easier? Yes, according to our retail readership, who score video manufacturers for providing insufficient in-store merchandising materials. A whopping 47.5 percent feel they're not getting enough merchandising P.O.P. materials from suppliers.

Camera sales are still strong with over a quarter of our dealers reporting a 20- to 100-percent gain over last year. More than 18 percent are experiencing a 20-to 49-percent sales gain.

The video disc continues to be somewhat of a disappointment for the 48.6 percent of dealers selling this category. Almost 70 percent said that sales so far have been worse than expected. Only 8.5 percent of the dealers experienced better-than-expected-video disc sales. Of the 51.4 percent of dealers *not* selling the disc, one-third expect to add them in the future. (One half of this figure does not plan to add video disc to their video sales lineup.)

The color TV area is still running relatively flat for the 91 percent of our dealers selling them—average color sales are about 5 percent up over last year's sales, and almost 20 percent of the dealers are even with last year. Almost one-third, however, are enjoying color sales gains of 10 to 100 percent.

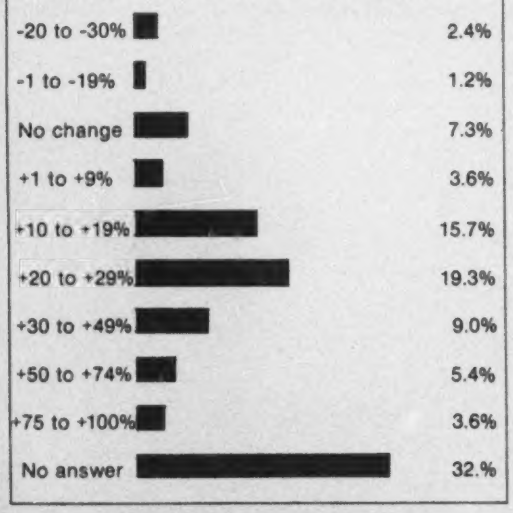
A depressed economy and continued credit crunch have taken a large bite out of projection TV sales, which just a year ago were expected to be a winner for 1982. Of the 61.8 percent of dealers carrying projection systems, fully 41 percent experienced even or slumping sales compared with last year. Only a third of dealers not stocking projection units plan to enter this field in 1983. ■

HOPE HEYMAN

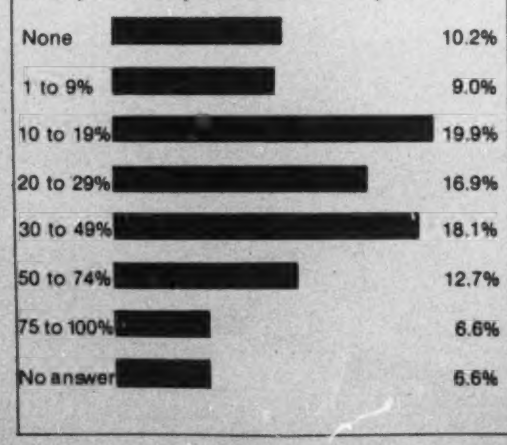
Are you currently selling video cassette recorders?

Yes	90.7%
No	9.3%

If so, how do you expect this year's VCR sales to compare to last year's? (% up or down)



What percent of your VCR sales are portables?



Are you currently selling video disc players?

Yes	51.4%
No	48.6%

If so, how have disc-player sales compared to what you expected?

Better than expected	8.5%
Worse than expected	69.1%
About the same	19.2%
No answer	3.2%

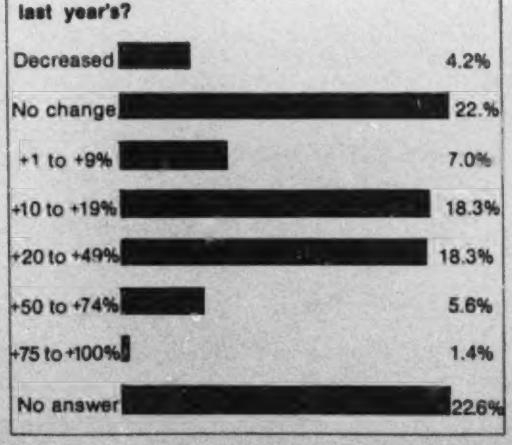
If you do not sell video disc players, do you plan to add them?

Yes	30.3%
No	50.6%
No answer	19.1%

Do you sell video cameras?

Yes	77.6%
No	22.4%

If so, how do your camera sales compare to last year's?



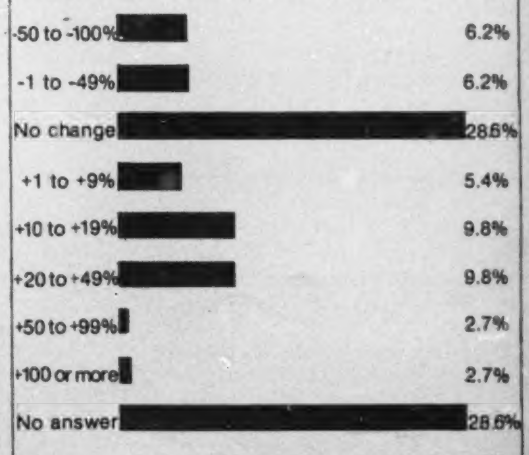
Are video manufacturers providing you with sufficient in-store merchandising materials?

Yes	43.2%
No	47.5%
No answer	9.3%

Do you sell projection-TV sets?

Yes	61.2%
No	38.8%

If so, how do your current projection-TV sales compare to last year's? (% up or down)



If you do not currently sell projection TV, do you plan to add it this year?

Yes	32.4%
No	60.6%
No answer	7.0%